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PUBLIC EMPLOYEES' RETIREMENT SYSTEM HANDBOOK

May 1998

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Keith McCallum ..... Administrative Officer

PUBLIC EMPLOYEES' RETIREMENT DIVISION
1712 NINTH AVENUE
P.O. BOX 200131
HELENA, MT 59620-0131
406/444-3154

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DISCLAIMER. The aim of this handbook is to inform members about their retirement plan. This handbook is a summary of the law found in Title 19, Chapters 2 and 3, MCA. Our staff carefully checked the contents of this handbook to make sure it does not disagree with the law and rules. The law and its interpretation can change, so this handbook may be out-of-date a few years after we publish it. This handbook is not a final source of the law and rules. **No one should cite this handbook as support for any legal argument.** If this handbook differs with law or rules as the Board interprets them, the law or rules apply. Users who want more detail may send a written request to the Board.

I. INTRODUCTION

The Public Employees' Retirement System (PERS) is a public pension plan for government workers. In 1945 the Legislature created the PERS to grant a retirement, disability, or death benefit to state workers or their heirs. Unless another state plan covers the job, the PERS will cover all state and university workers. Local governments may contract with the Board to cover their workers under the PERS.

A six-member board, the Public Employees' Retirement Board, manages the PERS. The Governor appoints the Board members who serve staggered five-year terms. The Public Employees' Retirement Division (PERD) is the Board's staff and does the day-to-day work. Sometimes the terms PERD and PERS are confusing. Remember that the PER**D** is the **D**ivision and PER**S** is the retirement **S**ystem. This handbook uses the terms "we" or "us" to refer to the PERD.

Money that you pay into the PERS earns interest and helps pay for your benefits. At the PERD, we keep track of your money in your own account, and we credit your account with interest. We put

the money from all accounts in a trust fund, which the Board of Investments invests. Income earned from investing the trust fund goes back into the fund. Only the Board may authorize payment from the trust fund. Current law limits payments to benefits and refunds for members or their survivors. In addition, the Board may pay administrative expenses from the investment earnings. (§19-2-408 and 19-2-505, MCA)

Every two years, an actuary must rate the trust fund's capability to pay the benefits earned by members. Based on the fund's strength and the actuary's advice, the Board may suggest increases in benefits. Benefits are set by law, and only the legislature may change them. Before each session, the Board will review the sufficiency of the benefits and advise the legislature. (§19-2-405, MCA)

Retirement plans may be either of two general types: defined benefit or defined contribution. One main difference between these plans is the method of calculating your benefit. Generally, defined contribution plans will base your benefit on the money in your account. Defined benefit plans will usually base your benefit on some type of formula. PERS is a defined benefit plan; your final average salary and years of service credit determine your benefit. See section VII for more details about your benefits. Your benefit does not depend upon how much you pay to the plan or the interest your account earns.

II. MEMBERSHIP

MANDATORY. Generally, if the PERS covers the job, then **you must become a member**. However, for some employees membership may be optional or excluded for others. A discussion of these exceptions is presented later in this section. As a new employee, you must complete a membership card upon starting

work in your new job. Your payroll clerk should give you a membership card. Once you complete the card, return it to the clerk who will send it to us. (§19-3-401, MCA and ARM 2.43.402)

MEMBERSHIP CARDS. The PERD will not pay a benefit or refund unless you have a membership card on file with us. **A membership card is a vital record; you must keep it up-to-date.** You should update the card whenever any of the data on the card changes. To update your card, complete a new card and give it to your payroll clerk. The payroll clerk must send it to us. Marriage, divorce, births of children, and death of a beneficiary are reasons to update your card. We print data from your membership card on your Personal Statement of Account. Check the statement carefully. If any of the data is wrong, submit a new card to your payroll clerk. (§ 19-2-801, MCA and ARM 2.43.402)

OPTIONAL. If membership is optional, you may choose to become a member in the PERS by filling out a membership card. Your payroll clerk can supply the card and will send it to us after you complete it. Your employer may not decide if you should be a member; the employer must allow you to decide. Once you become a member, you must follow the same laws and rules as any other member. **Do not complete a membership card if you do not want to become a member. You must quit your job and receive a refund of your account to end your PERS membership.**

The following types of employees may choose to become members of the PERS. They may become members by filling out a membership card and giving it to their payroll clerk. **This choice is up to the member, not the employer**. Employees who refuse optional membership must make a statement waiving membership; the employer must keep that statement on file. (§19-3-412, MCA)

- Elected officials

- Employees planning to work less than 960 hours during the fiscal year (you must become a member on the day you exceed 960 hours)
- Direct appointees of the Governor
- Persons hired for six months or less by the Legislature for work related to the legislative session
- The chief administrative officer of any city or county
- Employees of county hospitals and rest homes in 3rd, 4th, 5th, 6th and 7th class counties (§19-3-401 and 19-3-412, MCA and ARM 2.43.402 and .403)

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Your membership continues as long as you work in a PERS-covered job, or you have contributions or service on account. To end your membership, you must quit your job and receive a refund of your PERS account.

(§19-2-303, 19-3-401 and 19-3-412, MCA)

★★★★★★★★★

You may not withdraw from the PERS even if you will work less than 960 hours in the coming year. If you are an elected official, you may not withdraw upon your reelection to office. **You are a member if you have contributions and service on account with PERS.** Even if you quit and later accept a job for which membership is an option, you must continue your membership. In other words, if you are already a member, then your membership must continue even if otherwise it is optional.

WORKING RETIREES. A retired member may work part-time in a PERS-covered job without becoming an active member. Current law imposes limits on working retirees, and if they exceed the limits, their benefit may be reduced. Every month each employer must report all working retirees to the PERD. The report must account for each retiree's total **paid hours** and total

wages. Retirees must also report the same information, but their signature on the employer's report will serve as their report. See page 16 for more details about limits for working retirees. (§ 19-3-1106, MCA)

Working retirees may temporarily end retirement and become active members. They only need to complete a membership card and have their payroll clerk send the card to us. We will stop paying a benefit to a retired member who becomes an active member. When these members are ready to retire for the second time, we will calculate a new benefit using the additional service.

EXCLUDED. The following types of employees may not become members. (§ 19-3-403, MCA)

- Inmates of state institutions
- Persons in state institutions mainly for training, but who receive pay
- Independent contractors
- Persons who **receive credit for their current employment** in any other public retirement plan, except Social Security
- Court commissioners, elected officials, or members appointed to boards or commissions and who serve part-time and receive only per diem
- Full-time students working at and attending the same public school, community college, or unit of the state university system

A student who later becomes a member of the PERS may qualify this time. See section IV, Buying Service, on page 8

III. SERVICE

MEMBERSHIP SERVICE. We use membership service to decide if you are eligible for vesting, retirement, or other benefits. You vest after you accrue five years of membership service. Once vested, you are entitled to benefits if otherwise eligible. If not vested, you may only receive a refund of your account. You earn membership service for all periods of service, whatever the hours you work or the pay you receive.

You may buy service that will count as membership service. See section IV, Buying Service, on page 8. Retirees and working retirees may not earn membership service, nor may they buy service. Your total membership service may not match service for other employee benefits, such as the rate at which you earn leave. Service for different benefits may vary because the laws and rules that apply are different. (§19-2-303, 19-2-702, and 19-3-401, MCA)

SERVICE CREDIT. Your service credit affects the amount of your retirement benefit. You earn one month service credit for each month of full-time service. Full-time service means your employer paid you for at least 160 hours of work during that month. You may not get credit for more than one month even if you work more than 160 hours during a month. If you work less than 160 hours during any month, you will receive proportional service credit. For example, if you work 80 hours during a given month, you will earn 0.5 months of service credit. However, for that same month you will earn one month of membership service. (§19-2-701, MCA, and ARM 2.43.406 - 409)

PART-TIME SERVICE. The PERD will adjust either your service credit or Final Average Salary (FAS) if you work part-time. We must adjust one or the other to prevent a double reduction of your benefit. Assume your service and FAS were half-time, then the formula would reduce your benefit to 25 rather than 50 per cent.

If you retire with a full-time salary, then we will not adjust your part-time service credits to calculate your benefit.

STATEMENT OF ACCOUNT. Each July or August the PERD will send you a Personal Statement of Account. Your statement will contain the following data: personal identification, your named beneficiaries, your vested benefit, and a breakdown of your PERS account. Carefully review the statement to verify that all the data is correct. Please notify us in writing if any of the data is wrong.

If you have part-time service, the total service reported on your Personal Statement of Account may seem wrong. The service reflects the service reported by your employer. When your employer reports that you worked less than 160 hours, the system gives you less than one month of service credit. As noted above, we will make adjustments for part-time service when you retire. For example, if you work for a school district, you receive 9 or 10 months service credit for each school year. If you retire from the school district, we adjust your service to reflect full-time service. We adjust your service to prevent a double reduction of your benefit for part-time service. However, if you work full-time somewhere else, then your Final Average Salary (FAS) may be based on that full-time service. When your FAS is based on full-time service, we don't adjust your part-time service.

We will correct mistakes in your account or service when we identify them, or at least before your benefit is final. Mistakes will not bind the PERS to paying a benefit for which you are not eligible. If you think the service on your statement is wrong, please inform us in writing.

QUESTIONS. If you have questions about your service credit or your retirement benefit, please contact us in writing. **Only the PERD can give you official estimates of your retirement benefits. Estimates from other sources may be wrong.**

V. BUYING SERVICE

GENERAL. Qualified members may purchase the various types of service described below. Please contact us for complete details about your eligibility and the steps required to buy specific service. (ARM 2.43.425 and 2.43.433)

You may pay for a service in one lump-sum, or you may make monthly payments. Active members usually make monthly payments by payroll deduction. We will track your monthly payments in an additional contribution account until they equal the cost of the purchase. Then we will transfer the money and service to your regular account. If you fail to make a regular monthly payment, you give up the right to make any more payments. We will refund your additional contributions plus interest at your request. Inactive vested members or members not paid monthly may send payments directly to the PERD. For example, a member on an approved absence, such as family medical leave, may send payments directly to the PERD.

Members may purchase most types of service anytime before retirement. However, any delay may increase the cost because of added interest or higher salaries. You may not buy any service that qualifies you for a retirement from another public retirement system. To buy this service, you must first receive a refund of the service from the other public system. Members must complete all service purchases before they retire.

COST STATEMENT. To purchase service, you must first **write** to us and provide the following information: your full name (including any former names), a current address, Social Security number, and the type of service you wish to buy. You should also send us any documents that relate to the service. Your former employer can usually provide you copies of relevant documents.

We will review the request and send you a cost statement for buying any service for which you are eligible. (ARM 2.43.428)

You must pay the lump-sum cost or start monthly payments within 30 days. Otherwise, the cost statement is not valid. After 30 days, you must contact us for an updated cost statement. We must update the statement with added interest or base it upon a "new" 12-month salary base. **Only the PERD can give you an official cost statement. A statement from any other source may be wrong.**

REFUND. If you received a refund for previous service, you may buy back this service. Refunded service means you quit your job, and the PERS paid you the contributions and interest in your account. To buy the refund, you must repay the contributions and interest you received as a refund. You must also pay the interest the refund would have earned if you had left it on deposit. (§ 19-2-603, MCA, and ARM 2.43.420 and 2.43.422)

RETROACTIVE. Retroactive service is service with a PERS-covered employer that wasn't credited to the PERS at the time. A member who has retroactive service may buy all or a part of that service. (§ 19-3-505 and, 19-3-520 MCA; ARM 2.43.423 and 2.43.435)

MONTANA PUBLIC SERVICE. You may also buy service refunded from other Montana statewide retirement systems. You may also buy other full-time service with a Montana public employer. Contact us in writing for eligibility and a cost statement. (§19-5-511 and 19-3-512, MCA; ARM 2.43.420, 2.43.422, and 2.43.430)

DISABILITY ABSENCE. Time that a member is absent from work due to a work-related injury or illness is considered membership service. To qualify, the illness or injury must be work-related

and must not exceed 5 years. The PERD must decide the injury was work-related within one year of the member's return to work. If the member pays the contributions and interest, the absence will also count as service credit. Members lose the right to contribute for the absence if they received a refund of their account during the absence. (§ 19-3-504, MCA).

ADDITIONAL ("1-for-5") SERVICE. For each 5-year period of membership service, you may buy 1 year of additional service credit. You may buy no more than 5 years of additional service. Members eligible to buy 1 year may buy less than a full year.

Additional service is not membership service; it cannot make you eligible to retire or to purchase other types of service. We will include all service credit when calculating the amount of your retirement benefit. If you retire early, you can use it to reduce or eliminate the early retirement reduction of your monthly benefit. Your total service credit on your annual statement will not include the 1-for-5 service you buy; however, we will add it to your service credit when we calculate your retirement benefit. (§19-3-513, MCA; ARM 2.43.432)

MILITARY. You may buy up to 5 years of active military service, if you have at least 10 years of membership service. Normally, you may not buy military service if you will receive a retirement from the military for that service. (§19-3-503, MCA)

OTHER PUBLIC SERVICE. Vested members may buy service covered by another state, local, or federal government retirement system. If you received a refund of your account, you may buy up to 5 years of this service. You may also buy the service if it occurred before the employer adopted a public retirement system.

You may not use this service to qualify you to buy military service. Also, you may only count it as service credit if your last 5 years of

service are with a PERS employer. (§19-3-510 and 19-3-512, MCA: ARM 2.43.430)

LIMIT. Current law limits your purchase of military, additional, and other public service to a combined total of 5 years. For example, suppose you had 15 years of state service, 2 years of military service, and 3 years with another state. Without any limit, you would be eligible buy 8 years of service: 3 years of additional, 2 years of military, and 3 years of other public service. However, current law limits you to only 5 years, but it can be any combination of the above service. The limit became effective January 1, 1990. Service you paid for before January 1990 does not count toward the 5-year limit. In the above example, assume you bought 2 years of military service before January 1, 1990. Then your limit is 5 of the remaining 6 years. (§ 19-3-513, MCA)

V. CONTRIBUTIONS

MEMBER. All members must pay part of their gross pay to the PERS. The rate you currently contribute is 6.8%; it will increase to 6.9% on July 1, 1999. Your employer will withhold this money from your gross pay and send it to us. We credit what you contribute to your individual account. (§ 19-3-315, MCA)

INTEREST. Your PERS account earns interest and we add it to your account each month. Currently, the interest rate is 5%, compounded annually. Each year the Board sets the rate based on trends and interest rates earned by U.S. Treasury Notes and bills.

Generally, the interest credited to your account will not affect the amount of your retirement benefit. The exception to this statement is the money purchase plan. How we calculate your benefit, is explained later in Section VII, Service Retirement, on page 14.

TAX-DEFERRED. Since July 1985, the money you contribute to the PERS is tax-deferred. The interest your account earns has always been tax-deferred. This means you don't pay the state and federal taxes until you receive the money as a benefit or refund. Any money you paid to the PERS before July 1985 was taxed. Additional contributions used to buy service are also taxed dollars. In other words, you paid the taxes before you paid the money to the PERS. If you have taxed money in your account, then some of your refund or monthly benefit will be tax exempt. (§19-3-315, MCA)

EMPLOYER. Your employer also contributes to the trust fund. Since July 1, 1997, employers contribute 6.8% of their total PERS-covered payroll. Beginning July 1, 1999, the rate increases to 6.9%. The State contributes 0.1% of the 6.8% for local governments and school districts. Employer contributions provide "pooled" funds for retirement, disability, and death benefits. The PERD **does not refund employer** contributions to members. (§ 19-3-316, MCA)

REFUNDS. You may end your PERS-covered employment and leave your money on account; it will continue to earn interest. Or, you may receive a refund of the money in your account. Your refund will include the money you contributed plus the interest it earned. To request a refund, you must complete an application, which your employer will supply. The application has two parts, one for the member, and one for the employer. You must complete the member section, then give it to your employer. Your employer will finish the application and send it to us. If you have been inactive for more than 3 months, you should contact us directly to apply for a refund. (§19-2-602, MCA)

We cannot process your refund before your employer sends us the application and the final payroll information. **This process may take 6 to 8 weeks from the date you get your last paycheck.**

If the processing time is important to you, please contact us **before you quit your job** to discuss processing dates. Extending your last day of work into a new pay period or month may increase the processing time by 4 weeks. If you accept a PERS-covered job during the refund process, the PERD will cancel your refund.

You must pay the state and federal tax on the tax-deferred part of your refund. The IRS may also charge you an additional 10% penalty for early withdrawal. For more information, see Section XIII, Taxes, on page 32.

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When you receive a refund, you are no longer a member of the PERS. You will have no right to any form of benefit from the PERS.

(§19-2-601, MCA)

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REINSTATEMENT. If, after receiving a refund, you accept a PERS-covered job, you must again become a member. The PERD will consider you a new member without credit for the refunded service. You may purchase the refunded service to reinstate it for credit. For more details see section IV, Buying Service, on page 8. (§19-2-603, MCA)

ADDITIONAL. If you are buying service, you may contribute amounts beyond your regular contributions. These additional payments are not tax-deferred. You will receive interest at the same rate you receive for your regular contributions. All interest paid to a member's account is tax-deferred. (§19-2-704, MCA)

VI. VESTING

VESTING. When you complete five years of **membership service**, you become a vested member. Once vested, the PERS guarantees you a retirement benefit after you reach the minimum age or service requirement. If vested and at least age 50, you may quit your job and apply for monthly retirement benefits. You could also take a refund of your account, rather than a retirement benefit. (§ 19-3-401, MCA, and ARM 2.43.603)

A member does not need to be an active member to be vested. Inactive vested members may buy any service for which they are eligible. Inactive vested members may apply for retirement when they meet the minimum age or service requirement. (§ 19-3-401, MCA)

You may give up your vested right to retirement benefits by quitting your job and taking a refund of your account. **Once you withdraw the money from your account, your membership ends. You lose your right to any benefits from the PERS.** (§ 19-2-603, MCA and ARM 2.43.406)

If you quit your job before you vest, you may not continue to buy service. Nor, will you be eligible for a retirement benefit later. However, you are eligible for a refund of the money in your account. The PERS will pay you interest until you receive the refund.

VII. SERVICE RETIREMENT

GENERAL. You will receive your retirement benefit for life. Then upon your death, if you selected option 2 or 3, your contingent annuitant will receive a benefit for life. The next section explains retirement options. We will not reduce your benefit by

amounts that you receive from other retirement programs, such as Social Security.

SERVICE RETIREMENT. You are eligible for a service retirement benefit when you meet **any** of the following criteria:

- Age 60, with at least 5 years membership service
- Age 65 and in active service
- 30 years of membership service at any age
  (§19-3-901, and §19-3-904, MCA)

EARLY SERVICE RETIREMENT. You are eligible for early service retirement if you meet **either** of the following criteria:

- Age 50, with at least 5 years membership service
- 25 years of membership service at any age

For early service retirement, the PERS reduces the amount of your benefit by a factor. The factor depends upon how many years it will take you to reach age 60 or 30 years of membership service. We will use the factor that gives you the larger benefit. See Table II on page 38. (§ 19-3-902 and 19-3-906, MCA)

FORMULA. As stated earlier, the PERS is a defined benefit plan. Defined benefit plans use a set or defined formula to calculate your benefit. Usually these formulas use a Final Average Salary (FAS), years of service credit, and a factor or a percentage. Below is the basic formula for a monthly service retirement in PERS:

1/56 x Yrs. of Service Credit x Final Average Salary

FAS is the average of your highest consecutive 36 months of salary. 1/56 is a factor that determines how much of your FAS you get for each year of service credit. It is also equal to a percentage, 1.786%. If you choose early retirement or Option 2, 3, or 4, then you must

multiply this formula by other factors. The following sections discuss these benefits in detail.

MONEY PURCHASE. Besides the defined benefit, the PERS also has a money purchase option. The money purchase plan bases your benefit on the balance in your account. The money purchase is a monthly benefit just like a regular retirement. However, it is based on your age and a sum equal to double your regular contributions and interest. It will not include amounts paid for additional and military service, or the employer's share of any service the member bought. If you retire after a long period as an inactive member, the money purchase may give you a larger benefit. Members who retire after age 65 may also get a larger benefit under the money purchase. **We will calculate your benefit using both methods, and you will receive the larger of the two.** You will receive the money purchase for life, and you may also choose any of the payment options. (§19-3-904, MCA)

With a defined benefit plan, your benefit remains fixed once you end your active service. However, your account will continue to earn interest, and it grows over time. So, eventually the money purchase will be larger than the defined benefit formula. While the money purchase doesn't entirely compensate for inflation, it helps.

RETIRED MEMBERS. Members may work in a PERS-covered job after they retire, but the law imposes some limits. Whether or not a limit applies, will depend on your age. Your limit is 640 hours of employment if you are less than age 65. We will reduce your benefit $1.00 for each $1.00 earned from employment more than 640 hours. This limit applies to each calendar year and the PERD will only reduce your benefit when you exceed the limit. If you are 65 or older, then your limit is either 640 hours or an earning limit. The earning limit is equal to your FAS adjusted for inflation. Your retirement benefit plus what you earn must be less than your FAS or earning limit. The earning limit will apply only

to pay from your PERS-covered job. Any money you earn from other sources will not apply to your limit. Both limits apply to a single calendar year. Neither the remainder of the limit nor any part of what you earn may be carried over from year to year. When both limits apply, the PERD will apply the limit that gives you the highest income. Whichever limit applies, we will reduce your benefit $1.00 for each $1.00 you earn from employment that exceeds the limit. No earning or hour limit will apply to any retiree who is age 70½ or older. The above limits apply only to PERS retirees and to employment covered by the PERS.

Any retiree working in a covered job may become an active member. If the retiree becomes an active member, the PERD will stop the retiree's benefit. When the member retires for the second time, we will include the additional service when calculating the new benefit. These limits apply to all retirees without regard to any other limits that may apply. See the Retirement Incentive Program, under the next subheading. (§19-3-1106, MCA)

Each month your employer must certify the paid hours you work and the pay you receive. Only the hours for which you receive pay will count toward the 640-hour limit. Any donated hours do not count, and you don't need to report them. We will supply the form necessary to report your hours and wages as a working retiree. Both you and your employer must report this data to the PERD; however, your signature on the employer's report will suffice as your report. We do not require a report for a month in which you do not work. If you become an active member, the report is not required. (§19-3-1106, MCA, and ARM 2.43.506)

The above limits do not apply to a PERS disability retiree. A retiree receiving a disability benefit **must** become an active PERS member immediately upon employment in any PERS-covered job. (§19-3-1104, MCA)

The PERS covers most positions with the state, the university system, local governments, and school districts. If unsure, you should ask potential employers if the PERS covers the position before you start work.

INVOLUNTARY TERMINATION. The Employee Protection Act provides for the state to buy additional service for you if you are involuntarily terminated. To be eligible for this provision, you must be: a state employee; eligible for service or early service retirement; a member of Public Employees', Game Wardens' and Peace Officers', Sheriffs', or Highway Patrol officers' retirement systems. Your termination must be the result of reorganization, closure of an agency, or a reduction in force. You must also waive any other benefits for which you may be eligible under the Act. You may receive up to 3 years of additional service; however, **the state may only pay part of the cost.** To receive the full three years, you must pay some of the cost. (§19-2-706, MCA, and ARM 2.43.451 and 2.43.452)

If you accept the additional service, then special restrictions besides those previously discussed will apply to you. **You may work only 599 hours within the same jurisdiction whether or not the PERS covers the job**. Even if coverage is optional, you may not work more than 599 hours. All state agencies and units of the university system are the same jurisdiction, namely the State of Montana. Local government units are separate jurisdictions. If you exceed the 599-hour limit, you will forfeit the additional service. We will recalculate your benefit but without the additional service credit. **The limits discussed in the previous subsection will apply to all retirees no matter the jurisdiction.** (§19-2-706, MCA, and ARM 2.43.451 and 2.43.452)

For example, assume you are under age 65, and you are involuntarily terminated from a state agency due to reorganization. You decide to retire, and the state pays part of the cost of buying you 3

years of additional service. Later you accept a job with a state agency. We will apply both the 599- and 640-hour limits to you. If you exceed 599 hours, you will lose the additional service the state bought for you. We will recalculate your benefit without the 3 years of additional service. If you exceed 640 hours, we will reduce your benefit $1.00 for each $1.00 you earn from work exceeding 640 hours. Exceeding these limits can be very costly. If you have questions, call us at (406) 444-3154 **before** you exceed the limits.

INDEPENDENT CONTRACTORS. The above limits do not apply if you work under an independent contract. However, the contract must meet the test for independence. An independent contractor is an individual engaged in an independent trade, occupation, profession, or business. The contractor is always under contract and free from control or direction over the performance of the services. Factors which decide independence include but are not limited to the following:

- Exercise of control — contractor control of the means by which the work is done — shows independence.
- Method of payment — payment based on hours — shows employment rather than independence.
- Furnishing of equipment — contractor furnished equipment — shows independence.
- Right to fire — employer right to fire the contractor — shows employment rather than independence.

A contract failing any of the above tests for independence is employment and subject to the above limits.

VIII. PAYMENT OPTIONS

SELECTION. When you retire, you must select a benefit payment option. Currently, the PERS offers four benefit payment options. Some options provide for another person to receive your benefit after your passing. That person is your "contingent annuitant." (§19-3-1501, MCA)

Option 1 is the largest monthly amount you may choose. Option 1 is also the basis for all other options. The benefit is computed using the defined benefit or the money purchase formula. If you retire early, then the early retirement factor will reduce your benefit. Members who choose Option 1 will receive the benefit for life. When the member passes away, the designated beneficiary will receive any balance left in the member's account. That account balance is the amount available at retirement less the total benefits paid to the member. All monthly benefit payments end when the retiree passes away.

Option 2 is less than Option 1, but your contingent annuitant will receive the benefit after you pass away. Option 2 is an annuity based on the lives of two people. Initially, the member receives the benefit for life, then the same benefit continues to the contingent annuitant for life. To compute your Option 2 benefit, multiply your Option 1 benefit by the Option 2 factor. The factor is based on the age difference between you and your contingent annuitant. See table III on page 39 for a list of Option 2 factors. The larger the difference the smaller the factor, and the smaller your benefit. For example, your benefit will be much smaller if the age difference is 20 years rather than 1 or 2 years. If the contingent annuitant passes away first, the benefit ends when the member passes away. However, in some case you may choose a new contingent annuitant or option if the original contingent annuitant passes away.

Option 3 is very similar to Option 2. Option 3 is also an annuity based on the lives of two people. Initially, the member receives the benefit for life, then **one half the benefit** continues to the contingent annuitant for life. Because the contingent annuitant receives half the member's benefit, the benefit is larger than the Option 2 benefit. Computing the Option 3 benefit is similar to Option 2, but you use Option 3 factors. See table III on page 39 for a list of Option 3 factors.

Option 4 can also provide a continuing benefit to one or more contingent annuitants. As with all options, the member will receive the monthly benefit for life. If the retiree passes away before the end of the "certain" or guaranteed period, the contingent annuitants will receive the benefit. Payments to the contingent annuitants will stop when the guaranteed period ends. This benefit has two sub-options.

- **10-year period certain.** You must be **age 75 or younger** when you retire to be eligible for this benefit. This option provides a monthly benefit equal to 97.40% of the Option 1 benefit. **You will receive this benefit for life.** If the member passes away within the 10-year period, then the contingent annuitants will receive the same benefit. However, benefit payments to contingent annuitants will end when the 10-year period ends. The 10-year period begins on the member's effective date of retirement.

  If any of the original contingent annuitants pass away, others may be designated without changing the monthly benefit. Contingent annuitants receiving the Option 4 benefit may, in turn, designate their own contingent annuitants.

- **20-year period certain.** You must be **age 65 or younger** when you retire to be eligible for this benefit. The

monthly benefit will be equal to 91.48% of the Option 1 benefit. Other than the length of time, the 10- and 20-year period certain options are the same.

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If you are married, your spouse must witness your choice of payment option and sign the retirement application. The signature shows the spouse is aware of any rights to continuing benefits after your death.

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CHANGES. Except Option 1, you may change the contingent annuitant or choose a new option if both the following conditions are met.

- The original contingent annuitant passed away.
- The member divorced the contingent annuitant and the court did not grant the contingent annuitant the right to receive part of the benefi.t

The retired member must designate the new contingent annuitant or payment option in writing. Please contact us to get an estimate of the new benefit and an application form to select a new option. **You may not change an Option 1 retirement.** (§ 19-3-1501, MCA, and ARM 2.43.606)

IX. SAMPLE CALCULATIONS

SERVICE RETIREMENT:

Wilma Smith, Age 62
Service Credits ..... 21 Years
Final Average Salary . . . $1,500 per month (full-time salary)

Account Balance at Retirement $42,796
Contingent Annuitant's Age 63

Option 1 Formula: 1/56 x Service Credit x FAS

1/56 x 21 x $1,500 = **$562.50/month**

Under Payment Option 1, Wilma will receive a benefit of $562.50 each month for the remainder of her life. Upon her death, her beneficiaries will receive the balance of her account. The Balance is equal to the amount at retirement less all benefits paid to her. The PERD will pay the balance in one lump-sum payment.

Option 2 Formula: Option 1 Amount x Option 2 Factor

$562.50 x .8858 = **$498.26 per month**

If Wilma elects Option 2, she will receive a benefit of $498.26 each month for the remainder of her life. When the member is 1 year younger than the beneficiary, the Option 2 factor is .8858. See Table III, page 39. Upon her death, the PERS will pay the same amount, $498.26, to her contingent annuitant for life.

Option 3 Formula: Option 1 Amount x Option 3 Factor

$562.50 x .9395 = **$528.47 per month**

Option 3 will provide Wilma a benefit of $528.47 each month. When the member is 1 year younger than the beneficiary, the Option 3 factor is .9395. Upon Wilma's death, her contingent annuitant will receive, for life, ½ of Wilma's benefit payment, or $264.24.

Option 4 Formulas:

10-Year certain: Option 1 Amount x 0.9740

$562.50 x .9740 = **$547.88 per month**

20-Year certain: Option 1 Amount x 0.9148

$562.50 x .9148 = **$514.58 per month**

If Wilma chooses the 10-year certain payment option, she will receive $547.88 per month, for life. Should she pass away before the 10-year period ends, then her contingent annuitants will receive $547.88 per month. The total payment to all contingent annuitants is $547.88, not $547.88 to each. Payments will continue for the rest of the 10-year period. If Wilma passes away after the 10-year period ends, all payments stop. Her contingent annuitants won't receive any payments.

If Wilma chooses the 20-year certain payment option, she will get $514.58 per month, for life. Should she pass away before the end of the 20-year period, the contingent annuitants receive a total of $514.58 per month. Payments stop when the 20-year period ends. In the event she passes away after the 20-year period ends, her contingent annuitants won't receive any payments.

The 10- and 20-year periods begin on the effective date of the member's retirement. Factors used for 10- or 20-year periods are always the same.

EARLY SERVICE RETIREMENT:

Fred Smith, Age 55
Service Credits ..... 21 Years
Final Average Salary ... $1,500 per month (full-time salary)
Account Balance at Retirement $42,796
Contingent Annuitant's Age 49

Option 1 Formula:
1/56 x Service Credit x FAS x Early Retirement Factor

1/56 x 21 x $1;500 x .70 = **$393.75/month**

The early retirement factor is .70 for Fred. Two factors could apply to Fred, either .556 for 21 years of service credit or .70 for age 55. We use .70 because it gives Fred a larger benefit. See table II on page 38 for a list of early retirement factors. Under Payment Option 1, Fred will receive a benefit of $393.75 each month for the remainder of his life. Upon his death, his beneficiaries will receive the balance of his account. The balance is equal to the amount at retirement less all benefits paid to him. We will pay the balance in one lump-sum payment.

Option 2 Formula: Option 1 Amount x Option 2 Factor

$393.75 x .8713 = **$343.07 per month**

Payment Option 2 will provide Fred $343.07 per month for the rest of his life. When the member is 2 years older than the beneficiary, the Option 2 factor is .8713. See Table III, page 39. Upon his death, Fred's contingent annuitant will receive the same monthly benefit, $343.07, for life.

Option 3 Formula: Option 1 Amount x Option 3 Factor

$393.75 x .9312 = **366.66 per month**

Option 3 will provide Fred a benefit of $366.66 each month. When the member is 2 years older than the beneficiary, the Option 3 factor is .9312. Upon Fred's death, his contingent annuitant will receive, for life, ½ of his benefit payment, or $183.33.

Option 4 Formulas:

10-Year certain: Option 1 Amount x 0.9740

$393.75 x .9740 = **$383.51 per month**

20-Year certain: Option 1 Amount x 0.9148

$393.75 x .9148 = **$360.20 per month**

If Fred chooses the 10-year certain payment option, he will get $383.51 per month, for life. If he passes away before the 10-year period ends, then his contingent annuitants receive a total of $383.51 per month. Payments will continue for the rest of the 10-year period. Should Fred pass away after the 10-year period ends, all payments stop. His contingent annuitants won't receive any payments.

If Fred chooses the 20-year certain payment option, he will receive $360.20 per month, for life. Should he passes away before the end of the 20-year period, the contingent annuitants receive a total of $360.20 per month. Payments stop when the 20-year period ends. In the event he passes away after the 20-year period ends, his contingent annuitants won't receive any payments.

The 10- and 20-periods begin on the effective date of the member's retirement. Factors used for 10- or 20-year periods are always the same.

X. DISABILITY RETIREMENT

ELIGIBILITY. To qualify for a disability retirement, you must meet the following requirements. You must be a vested member, or, in other words, have at least 5 years of membership service. The disability must be total and permanent, but if not permanent, then

at least of uncertain duration. Your disability must prevent you from doing the essential elements of your job. Employers must catalog the essential elements of your job. The disability need not be work-related, but it must exist during your active membership. (19-3-1002, MCA)

Once the board grants disability, benefits are effective the day after you end your employment. You should apply for disability while you are an active member. If you quit your job first, then you must apply within four months and prove your disability occurred before you quit. You may still apply even if more than 4 months have passed since you quit; however, you must prove your disability occurred before you quit and was continuous from when you quit. (§ 19-3-1002, MCA)

BENEFIT. A disabled member will receive a monthly benefit equal to:

1/56 x Service Credits x Final Average Salary

This is the same formula used to calculate your service retirement benefit. However, we don't use early retirement factors to reduce your benefit. A disability retiree may elect any of the 4 benefit payment options available to service retirees. Section VIII discussed retirement options. (§19-3-1008, MCA)

Members who joined the PERS before February 24, 1991, could choose disability coverage under the old or new disability laws. If you chose coverage under the old law, contact us for more facts about eligibility and the amount. You should also contact us if you are not sure what coverage you chose. (§19-3-1008, MCA)

REVIEWS. The Board may review the medical condition of any member receiving a disability. They do periodic reviews to decide if the member still qualifies for disability retirement. (§ 19-3-1015, MCA)

EMPLOYMENT. While receiving a disability benefit, you may earn other income, but the law limits how much you may earn. This limit is the monthly amount you were earning when you became disabled. For any month that your other income plus your benefit is more than the limit, the PERD will reduce your benefit. Your benefit will be reduced $1 for every $1 your earnings are over the limit. After receiving a disability benefit for 36 months, you may request that we adjust your limit for inflation. (§ 19-3-1103, MCA)

The above limit applies to all income you earn. Unlike service retirement, it does not apply to any PERS-covered income. If you accept a PERS-covered job and have PERS-covered income, we will reinstate you to active service.

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The PERD will review the monthly income of all disability retirees every year. Disability retirees must report their annual income on forms provided by the PERD.

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CANCELLATION. The Board will cancel a member's disability retirement in the following cases:

- The member is no longer totally disabled and can return to his or her former job.
- The member accepts a PERS-covered job.
- The retiree refuses to submit the results of a current medical exam for review. (§19-3-1015 and §19-3-1104, MCA)

CONVERSION. When you reach normal retirement age (60), the Board will convert your disability to a service retirement. When converting, we don't adjust the benefit, so the amount will not change. Converting to a service retirement will end medical reviews and the earning limit. However, it will also void any re-

employment rights that you may have had. If you accept a PERS-covered job after conversion, your limits will be the same as for all other service retirees. See the paragraph titled RETIRED MEMBERS on page 16. (§19-2-406, MCA)

Contact us for complete details about disability benefits and how to apply.

XI. DEATH BENEFITS

LUMP-SUM. The PERS will pay benefits to the beneficiaries of a member who passes away. The beneficiary must send the Board written proof of the member's death. A copy of the death certificate is the best document to send. The death benefit will be the sum of: the member's contributions plus interest; one-twelfth of the member's last 12 months of pay times 6 or the member's years of service credit, whichever is smaller; and regular interest on the death payment until the first day of the month it is paid. Beneficiaries are eligible for the death payment if the member passes away under any of the below cases:

- while in active service
- within 6 months after active service, but before receiving a retirement benefit
- while receiving a disability benefit, but for less than 6 months
- while disabled, if continuously disabled since ending active service and not receiving a disability retirement benefit

(§19-3-1201, MCA)

If a vested member is inactive for more than 6 months, the beneficiary is not eligible for the death payment. The beneficiary

may receive only a lump-sum refund of the member's account. (§19-3-1201, MCA)

ANNUITY. Any beneficiary eligible for the lump-sum death payment may receive the payment as a monthly annuity. To receive the monthly annuity, the beneficiary must send a written request to the Board. **Increases that may apply to other monthly benefits do not apply to this annuity.** (§19-3-1203, MCA)

SURVIVORSHIP. The designated beneficiary of a **vested member** may receive a monthly survivorship benefit instead of the lump-sum death payment. Any beneficiary may take either the lump-sum death payment or the above monthly annuity. However, the beneficiary of a vested member has a third choice, the survivorship. Generally the survivorship will provide a larger benefit than the monthly annuity. To receive the survivorship, a beneficiary must apply within 90 days after receiving notice they were eligible for the death payment. (§19-3-1204, MCA)

Advise your beneficiary to contact the PERD for complete details about benefits in the event you pass away.

BENEFICIARIES. Members may designate any persons they wish to be their beneficiaries. They must be living persons; you may not name a charitable organization or a trust. You must designate your beneficiaries on a PERS membership card and give the card to your payroll clerk. The Clerk will send the card to us. Whenever you wish, you may name new beneficiaries by sending us a new membership card. If you are an inactive member, call us and we will send you a new card. Beneficiaries are either primary or contingent. Contingent beneficiaries will only receive something if no living primary beneficiaries exist. (§ 19-2-801 and 19-2-802, MCA)

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Keep your designated beneficiaries current. You may change your beneficiary only by completing a new membership card.

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XII. BENEFIT INCREASES

GABA. The Guaranteed Annual Benefit Adjustment (GABA) will increase your retirement benefit every year **if you are eligible.** The GABA insures a **minimum** increase of 1½% over the previous year. So, if other events increase your benefit, then those increases will reduce the amount you get from the GABA. If the increases are 1½% or more, then you will get no increase from GABA. (§19-2-1101 and §19-3-1605, MCA)

The GABA applies to service, early service, and disability retirements and to the survivorship benefit. It also applies to benefit recipients other than members, such as contingent annuitants and survivors. It **does not apply** to a person receiving the lump-sum death payment as an annuity.

ELIGIBILITY. You must meet some conditions before you will get a raise under the GABA. First, you must receive your benefit for at least 36 months. For example, if you retired on July 1, 1996, you will meet the 36-month requirement on July 1, 1999. Yet, you won't receive your first GABA raise until January 1, 2000. Also, you will not receive a GABA increase if you work in a job covered by any other state retirement plan. (§19-2-1101 and §19-3-1605, MCA)

We will apply the GABA increase to your benefit on January first of each year. It will be in your January benefit payment which we will mail to you on the last working day of January. If you get

your benefit by electronic transfer, the transfer takes place on the last working day of January. However, your Bank may not add the transfer to your account until the next working day. With electronic transfer, you will get your money 1 or 2 days sooner than with a paper check through the mail.

XIII. TAXES

BENEFIT. Some or all of your retirement benefit will be subject to federal and state income taxes. Everyone must pay taxes on any part of their benefit that was not taxed during their working careers. You paid income tax on any money you contributed before July 1, 1985. Also, you paid the tax on any additional contributions you paid to buy service. You did not pay taxes on the money you contributed since July 1, 1985. Nor have you paid taxes on the interest earned by your account. Some of your benefit will come from tax-deferred money; you must pay taxes on that part. (§19-3-315, MCA)

STATEMENTS. Each year we will send you a Distributions Form (Federal Form 1099R). The 1099R is similar to a W-2 Form. We send the form to all people who receive any payment from the PERS, not just members. The 1099R will show the gross taxable amount you received during the past calendar year. This form will also show any state or federal taxes withheld during the year. We base withholding rates on current federal and state tax law.

Tax laws that apply to retirement benefits change frequently. You should contact a tax professional for specific, up-to-date information about state and federal taxes.

REFUNDS. The tax-deferred portion of a refund is subject to state and federal taxes. Taxable amounts for state and federal taxes may be different, because the state does not tax the interest. If you

receive the refund, the IRS may assess an additional 10% penalty for early withdrawal. We do not collect the penalty. If the IRS assesses a penalty, you must pay it when you file your taxes. We will withhold 20% for tax purposes if we send the refund directly to you. You may avoid paying the withholding tax by "rolling-over" the taxable part into an IRA or other qualified plan. Rolling-over your refund also allows you to avoid the penalty. IRS rules allow you 60 days to roll the refund over. The amount withheld may or may not be enough to pay any tax or penalty you may owe.

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When the PERD pays the refund directly to an IRA or other qualified plan, no money will be withheld for taxes. If you receive the payment, we must withhold 20% for federal taxes. Also, the IRS may charge you a penalty of 10% for early withdrawal.

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You will receive a Distributions Form (Federal Form 1099R) with the refund. It will list the gross distribution, the taxable part, and any federal or state taxes withheld from the refund. The 1099R is an important document that you must keep for your tax records. We will not send you another 1099R at the end of the year. If you lose your 1099R, you can request a duplicate from us.

XIV. ASSIGNMENT OF BENEFITS

GENERAL. In very limited cases, including a Family Law Order (FLO), the court may assign your PERS benefits to another person. A FLO must be a judgement, decree or order of a Montana court. It may give all or part of your payment rights to someone else. Courts from other states may also assign your benefit with a

Support Obligation. Support Obligations must meet requirements similar to those for a FLO. (§19-2-907 and 19-2-909, MCA)

Your retirement benefit may not be assigned to another person under ERISA; a federal law governing private pension benefits. Nor may Qualified Domestic Relations Orders assign your benefits to another person. However, the IRS may place a levy against your benefit for unpaid taxes.

FLO. A FLO may require the PERS to pay all or part of your benefit or refund to another person. That person is an Alternate Payee. A Montana court may issue a FLO for child or parental support, spousal maintenance, or marital property rights. The FLO may require that you pay an alternate payee a set sum or percentage of your benefit. For example, the FLO may require you to pay $500 per month until you pay a set sum of $12,000. Or, the FLO may require you to pay 50% of each monthly benefit for as long as you get a benefit. The FLO may also require you to choose a specific option, contingent annuitant, or beneficiary.

A FLO may **not** require the PERS to pay a type of benefit unless that benefit is available to you. Nor can a FLO require an amount or length of payment greater than payable to you. This means a FLO cannot require the PERS to make any payments before you retire or take a refund. Also, it may not require payments that are more than the amount the PERS may pay you. (§ 19-2-907 and 19-2-909 MCA)

For specific details, including copies of the statutes, rules, and a checklist, please write or call us.

XV. MORE INFORMATION

If you want an estimate of your benefit, or a cost statement for buying service, please contact us. Any estimates you get from any other source may be wrong. PERD is not responsible for any information from other sources. You must contact us for application forms if you are considering service or disability retirement. You should instruct your beneficiaries to contact us in the event you pass away.

We invite you to call or visit the PERD in Helena. Our office is open Monday through Friday, 8:00 a.m. to 5:00 p.m.. You don't need an appointment for general questions; however, to discuss benefit estimates or cost statements, you should make an appointment at least 7 days in advance. We need time to obtain and prepare the necessary material before you arrive.

To avoid confusion, you should put in writing any questions requesting **specific details** about retirement options or service credit. We will give you a **specific written response**.

Table I. SERVICE RETIREMENT BENEFIT

Option 1 Monthly Benefit*

Disability Retirement Benefit**

(Age 60 and over, or at least 30 years of membership service)

Years service credit	FINAL AVERAGE SALARY (FAS)***										
	$1,000	$1,100	$1,200	$1,300	$1,400	$1,500	$1,600	$1,700	$1,800	$1,900	$2,000
5	89	98	107	116	125	134	143	152	161	170	179
6	107	118	129	139	150	161	171	182	193	204	214
7	125	138	150	163	175	188	200	213	225	238	250
8	143	157	171	186	200	214	229	243	257	271	186
9	161	177	193	209	225	241	257	273	289	305	321
10	179	196	214	232	250	268	286	304	321	339	357
11	196	216	236	255	275	295	314	334	354	373	393
12	214	236	257	279	300	321	343	364	386	407	429
13	232	255	279	302	325	348	371	395	418	441	464
14	250	275	300	325	350	375	400	425	450	475	500
15	268	295	321	348	375	402	429	455	482	509	536
16	286	314	343	371	400	429	457	486	514	543	571
17	304	334	364	395	425	455	486	516	546	577	607
18	321	354	386	418	450	482	514	546	579	611	643
19	339	373	407	441	475	509	543	577	611	645	679

20	357	393	429	464	500	536	571	607	643	679	714
21	375	413	450	488	525	563	600	638	675	713	750
22	393	432	471	511	550	589	629	668	707	746	786
23	411	452	493	534	575	616	657	698	739	780	821
24	429	471	514	557	600	643	686	729	771	814	857
25	446	491	536	580	625	670	714	759	814	848	893
25	464	511	557	604	650	696	743	789	836	882	929
27	482	530	579	627	675	723	771	820	868	916	964
28	500	550	600	650	700	750	800	850	900	950	1,000
29	518	570	621	673	725	777	829	880	932	984	1,036
30	536	589	643	696	750	804	857	911	964	1,018	1,071
31	554	609	664	720	775	830	886	941	996	1,052	1,107
32	571	629	686	743	800	857	914	971	1,029	1,086	1,143
33	589	648	707	766	825	884	943	1,002	1,061	1,120	1,179
34	607	668	729	789	850	911	971	1,032	1,093	1,154	1,214
35	625	688	750	813	875	938	1,000	1,063	1,125	1,188	1,250

* Rounded to the nearest whole dollar.

** Members not choosing "new" disability benefits will receive 90% of this amount.

*** Average of the highest consecutive 36 months.

Note: If your FAS is not shown, you can add the amounts from two or more columns to get your benefit. For example, if your FAS is $3,500 and you have 20 years of service, then $1,000, + $1,200 + $1300 = $3,500; your monthly benefit will be $357 + $429 + $464 = $1,250.

TABLE II. EARLY RETIREMENT FACTORS

If you are not eligible for service retirement, you may choose to retire early. You are eligible for early service retirement if you meet either of the following conditions: you are at least age 50 with 5 or more years of membership service, or you have at least 25 years of membership service. First, you must calculate your Option 1 service retirement benefit from Table I. Next, select the early service retirement factor from the table which applies to you. If both an age and service category apply to you, then use the largest factor. For example, if you are 53 with 27 years of membership service, use 0.820, not 0.628. Finally, multiply the Option 1 benefit by the factor to find the amount of your early service retirement benefit.

AGE	EARLY RETIREMENT FACTOR (ERF)	YEARS OF MEMBERSHIP SERVICE
59	0.940	29
58	0.880	28
57	0.820	27
56	0.760	26
55	0.700	25
54	0.664	Members under age 50 with less than 25 years of membership service are not eligible for early service retirement.
53	0.628	
52	0.592	
51	0.556	
50	0.520	

TABLE III. PAYMENT OPTION 2 & 3 FACTORS

Multiply the Option 1 service retirement benefits from Table I times the applicable factor for Options 2 and 3.

	AGE DIFFERENCE IN YEARS	FACTORS OPTION 2	FACTORS OPTION 3
Member Older Than Beneficiary	15	0.8167	0.8991
	14	0.8202	0.9012
	13	0.8239	0.9034
	12	0.8277	0.9057
	11	0.8316	0.9081
	10	0.8357	0.9105
	9	0.8398	0.9129
	8	0.8440	0.9154
	7	0.8484	0.9180
	6	0.8528	0.9206
	5	0.8573	0.9232
	4	0.8619	0.9258
	3	0.8666	0.9285
	2	0.8713	0.9312
	1	0.8761	0.9340
	0	0.8810	0.9367
Member Younger Than Beneficiary	1	0.8858	0.9395
	2	0.8907	0.9422
	3	0.8957	0.9450
	4	0.9006	0.9477
	5	0.9055	0.9504
	6	0.9103	0.9530
	7	0.9151	0.9557
	8	0.9198	0.9582
	9	0.9244	0.9607
	10	0.9289	0.9631
	11	0.9333	0.9655
	12	0.9375	0.9677
	13	0.9416	0.9699
	14	0.9455	0.9720
	15	0.9492	0.9739

GLOSSARY OF TERMS

ACTIVE MEMBER - a member in a PERS-covered job, making the required contributions, and properly reported for the most current reporting period.
ADDITIONAL CONTRIBUTIONS - are a member's payments to buy service credit under an installment contract. This money is not tax-deferred.
BENEFIT - a service or disability retirement or survivorship provided by PERS.
CONTINGENT ANNUITANT - a person the retired member names to receive a continuing benefit after the member passes away.
CREDITED SERVICE or SERVICE CREDIT - are the periods in which you contribute the required money to the PERS. The PERD uses service credit to calculate the amount of your benefit. If you work 160 hours or more in any month, you get 1 month of service credit. If you work less than 160 hours, you will receive credit for a partial month. For example, if you work 80 hours, you receive ½ of a month of service credit.
DESIGNATED BENEFICIARY - is the person a member names to receive any survivorship benefits or lump-sum payments upon the member's death. Designated beneficiaries are either primary or contingent.
DISABILITY - total physical or mental incapacity of a member to do the essential functions of the member's job. You must become disabled while an active member, and it must be permanent or of an extended or uncertain period.
EMPLOYEE - is a person employed by a PERS employer in any capacity and the employer pays the person's salary.
EMPLOYER - is the state, its university system, or a political subdivision that contracts with the Board to cover its employees under PERS.
FAMILY LAW ORDER (FLO) - is an order from a Montana court that may assign all or part of a participant's payment.
FINAL AVERAGE SALARY (FAS) - a member's highest average monthly pay during any 36 consecutive months of membership service. Lump-sum payments for severance pay, sick leave, and annual leave may not be added to a single month's pay. Your FAS may include termination payments, but only if they replace regular pay on a month for month basis.
FISCAL YEAR - is the 12-month period starting July 1 and ending the following June 30.
INACTIVE MEMBER - a member who ends PERS-covered employment and does not withdraw his or her PERS account.
IRA - is an individual retirement account.
LUMP-SUM PAYMENTS - amounts, which may include interest, that are payable instead of monthly benefits.
MEMBER - is any person with contributions and service on account with the PERS. Persons receiving retirement benefits based on previous service credit are also members.

MEMBERSHIP SERVICE or YEARS OF SERVICE - the periods of service used to decide vesting and eligibility for retirement or other benefits. You get 1 month credit for any month you contribute to the PERS. Even if you only work one day during that month. If you contribute anything, you get credit for the whole month.

PART-TIME EMPLOYMENT - is any month during which the employer pays the member for less than 160 hours.

PARTICIPANT - a member, beneficiary, survivor, or contingent annuitant who is receiving, or may receive, a benefit or payment from the PERS.

REFUND - is a withdrawal of all the money in a member's PERS account. By taking a refund, the member gives up all rights to any other benefits from the PERS.

REGULAR CONTRIBUTIONS - are the payments an active member must make to the PERS. The payments are a percentage of the member's monthly pay and are tax-deferred.

REGULAR INTEREST - is the monthly payment made to a member's account at rates set by the Board. This interest is tax-deferred. Also, the amount charged to buy service on a monthly payment plan. These rates may not be the same.

RETIREMENT BENEFIT - is the monthly payment to a member, for life, following service or disability retirement.

RETIREMENT or RETIRED - the status of a member who ends active service and receives a monthly benefit.

SURVIVORSHIP BENEFIT - is a monthly payment for life to the beneficiary of an active vested member who passes away.

VESTED MEMBER or VESTED - is the status of a member with at least 5 years of membership service. A vested member is entitled to retirement benefits when they meet the minimum service or age provision.

The PERD will provide alternative accessible formats of this document upon request. Persons with disabilities, who need an alternative accessible format of this information, should contact the P:

Public Employees' Retirement Division
Attn.: Keith McCallum
P.O. Box 200131
Helena, MT 59601-0131

Telephone no. 444-1387
FAX no. 444-5428

For more information, contact the Department of Administration Personnel Services Section at 444-3871, or TDD no. 444-1421

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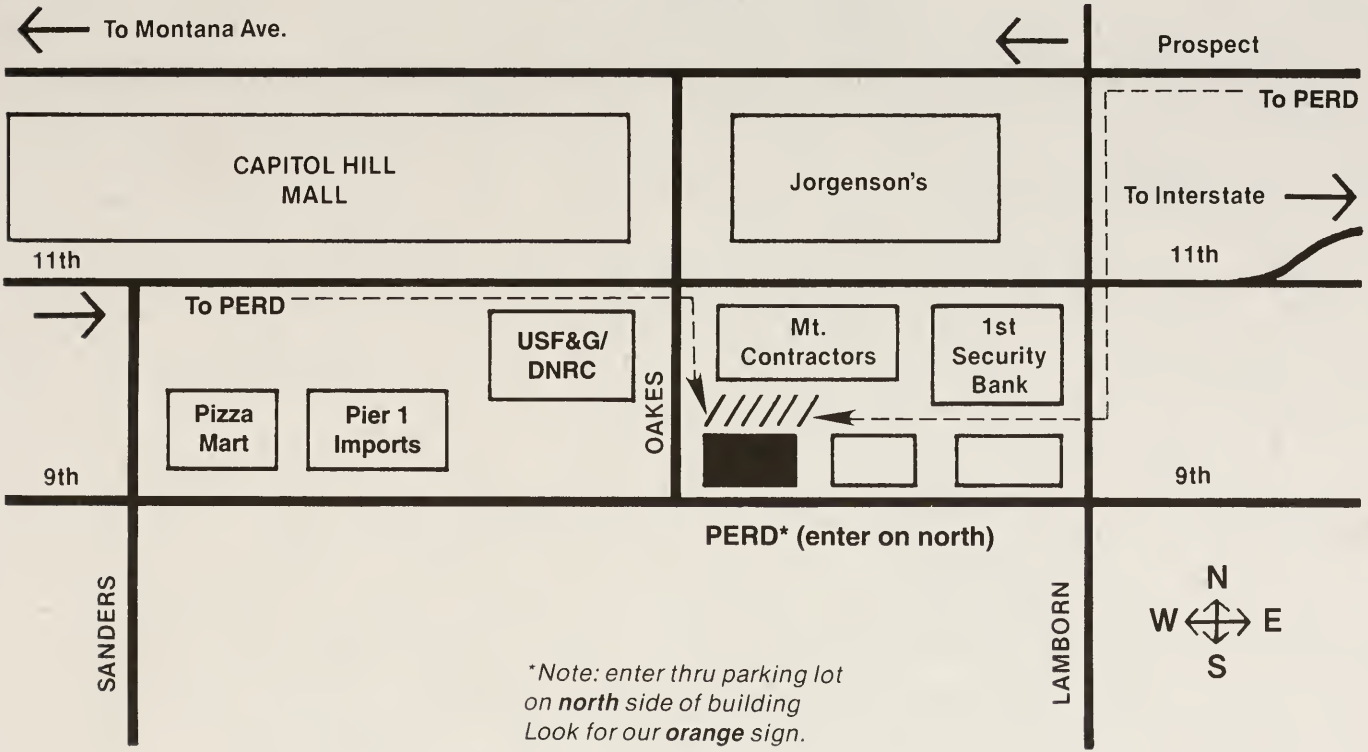

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